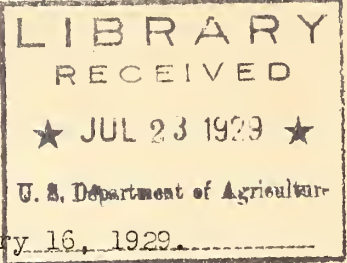


Historic, Archive Document

Do not assume content reflects current scientific knowledge, policies, or practices.

BUREAU OF AGRICULTURAL ECONOMICS

MEMORANDUM

COMPARATIVE LEVEL OF TARIFF RATES ON AGRICULTURAL
AND MANUFACTURED PRODUCTS

There appears to be no satisfactory method of comparing the relative level of tariff protection to agricultural and industrial products. However, comparisons are frequently made on the basis of the equivalent ad valorem duties that have been collected on imports. This method merely consists of dividing the total duties collected on any group, or combination of groups, by the value of the products, and thus determining the percentage ratio of the duties collected to the value. The results of this method of determining the relative equivalent ad valorem rates of duty on agricultural and manufactured and miscellaneous products imported during the calendar year 1927 may be briefly summarized as follows:

<u>Agricultural products</u>	<u>Equivalent ad valorem Per cent</u>
1. Agricultural products (26 groups), including tobacco, sugar, and raw wool having a total value of \$626,513,493, or 42.24% of all dutiable imports	41.72
2. Agricultural products (23 groups), excluding tobacco, sugar, and raw wool, having a total value of \$298,785,666, or 20.15% of all dutiable imports	22.75
3. Sugar, raw wool, and tobacco, having a total value of \$327,727,827, or 22.09% of the value of all dutiable imports	59.00

Manufactured products

Equivalent
ad valorem
Per cent

1. Manufactured and miscellaneous imports (70 groups),
having a total value of \$856,517,358, or
57.76% of the total dutiable imports..... 36.60
2. Manufactured and miscellaneous imports
(26 groups), the duties on which were in
excess of 40% equivalent ad valorem and
valued at \$352,082,000, or 41.11% of the
total of all manufactured and miscellaneous
imports..... 55.30

It will be observed from the foregoing tabulation that the average duty collected on 23 groups of agricultural products, exclusive of sugar, wool, and tobacco, amounted to 22.75%, which is considerably below the average equivalent ad valorem of 36.60% for all manufactured and miscellaneous products.

Strictly speaking, these equivalent ad valorem rates do not represent the real height of the tariff wall, since rates might actually be so high as to virtually exclude or prevent the importation of any considerable volume of goods. For this and other reasons, which I shall not dwell upon at this time, there is a serious doubt whether the equivalent ad valorem basis is after all a very effective criterion of the relative protection afforded to agricultural and manufactured products, or even to different agricultural products. One reason for this conclusion will be found in the varying standards of living, land values, taxes, etc., and consequently varying costs of production in different countries throughout the world. In other words, a specific tariff rate with an equivalent ad valorem rate of duty of say 25% on one product, produced in one section of the world, may conceivably be a more effective protection to the American farmer than an



1. 1. 1.

1. 1. 1.

1. 1. 1.

1. 1. 1.

1. 1. 1.

1. 1. 1.

1. 1. 1.

1. 1. 1.

1. 1. 1.

1. 1. 1.

1. 1. 1.

1. 1. 1.

1. 1. 1.

1. 1. 1.

1. 1. 1.

1. 1. 1.

1. 1. 1.

1. 1. 1.

1. 1. 1.

equivalent ad valorem rate of say 50% would afford to another agricultural product imported from some other country. A notable case in point is the tariff rate of one cent a pound on onions, established by the Tariff Act of 1922, which even before its increase by the President to $1\frac{1}{2}$ cents in accordance with the recommendation of the U. S. Tariff Commission, was equivalent to approximately 45% ad valorem in 1927 and 53% in 1926. Yet in spite of this apparently high protection, measured on an ad valorem basis, there have been increasing imports of onions from Spain and Egypt to the serious detriment of the domestic onion producers.

In this connection, it may be well to point out that the classification of manufactured and miscellaneous products includes a number of products of varying degree of manufacture and others which cannot with propriety be included in the agricultural group. On the other hand, the agricultural group includes many processed agricultural and food products which technically would belong in the manufactured products' group. On the whole, however, it is believed that the arrangement and classification of commodities does not substantially effect the general result.

Another method of comparing the relative degree of protection on agricultural and manufactured products is on the basis of the ratio of imports to domestic production of these products. A comparison by this method is a fairly simple process, so far as agricultural products are concerned for which we have production statistics. However, here too, the question arises whether this method of comparison really affords an accurate basis for determining the competitive effect of certain agricultural products, especially where we also have a considerable volume of exports. This would apply to such products as corn, tobacco, and other products, of

which our total volume of exports is in excess of our total imports. The chief criticism of this method is that it does not take into account the seasonal factors under which many of our products are produced and marketed, nor the fact that the imports compete with certain particular varieties and qualities of the domestic product, and in certain particular areas, rather than with our total production. There is also to be considered the psychological element that enters into the competitive situation as regards the indirect effect upon certain classes of products in certain areas.

Similar observations might be made with regard to manufactured products. The ratio of imports to the total domestic production does not always reflect the true condition as regards the competition with the domestic product. The element of quality, for example, which plays an important part in the competitive situation that confronts certain of our agricultural products, such as wheat or wool, must also be recognized in the case of manufactured goods, notably cotton textiles. Then there is the question of the competitive areas near the border and on the seaboard, which probably play an even more important part in manufactured products than it does with agricultural products, because of the location of manufacturing plants there. The duty on pig iron, for example, was increased primarily because of the competition with the domestic industry located along the seaboard area. The cement and the brick industries, which are scattered throughout the country are ^{asking} ~~making~~ for tariff protection because of the foreign competition which the industries along the seaboard must meet. In these cases, the ratio of imports to the total domestic production of these products would not take into account this purely local situation.

Prepared by:

C. L. Luedtke,

Associate Agricultural Economist.

